



**Regional Seminar on the
Development of Cereal Commodity Chains in West Africa**

Introductory Paper

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1 Cereal's Role in West African Agricultural Dynamics and Food Security

1. Agriculture is one of the foundations of the West African economy. Beyond its contribution to regional wealth—36% of the regional GDP (up to 60% in certain countries)—agriculture is the basis for people's food security. Approximately 80% of the population's food needs are met by regional food production. The overall trend is that food production has made remarkable strides over the past thirty years, although this evolution has not been enough to stop the rise of food imports because of population growth, the growing share of rice and wheat in food regimes, and the average increase in cereal consumption.
2. Indeed, while the population is doubling every twenty years,¹ regional crop production increased by 320% between 1980 and 2005. This performance hides numerous disparities between groups of products and between countries. The growth in root and tuber production, which is very localized in the Gulf of Guinea, has been the strongest by far: up 430%, compared to 250% for dry cereals over the same period.

See Thematic Papers
No. 1 "Production"
and No. 3 "Markets"

Table 1: Cereal Production and Imports in West Africa

Production (2007-2008 average, in tons)		Imports (2006-2007 average, in tons)	
maize	13,276,861	wheat and wheat flour	4,904,862
sorghum	13,886,906		
millet – fonio	15,820,000		
paddy rice	9,442,853	rice (paddy equivalent)	7,864,695
Total (including rice)	52,426,620	Total	12,769,557

Source: ECOWAS

3. The region consumes approximately sixty-two to sixty-five million tons, all cereals combined. This consumption—food, animal, industry—has tripled in less than thirty years. Production—approximately fifty-two to fifty-six million tons—meets 80% of needs.
4. Four countries produce 80% of the cereal in the region: Nigeria (55%),² Burkina Faso, Mali and Niger, with each of the last three contributing 7% to 8% of the regional supply.
5. Between 1980 and 2008:
 - a. cereal production increased by a factor of 3.1;
 - b. cultivated land increased by a factor of 2.4; and
 - c. yields increased by a factor of 1.32.

¹ The regional population rose from 132 million people in 1980 to 265 million in 2005.

² Nigeria contains half the region's population, and accounts for more than half of agricultural production and international trade.

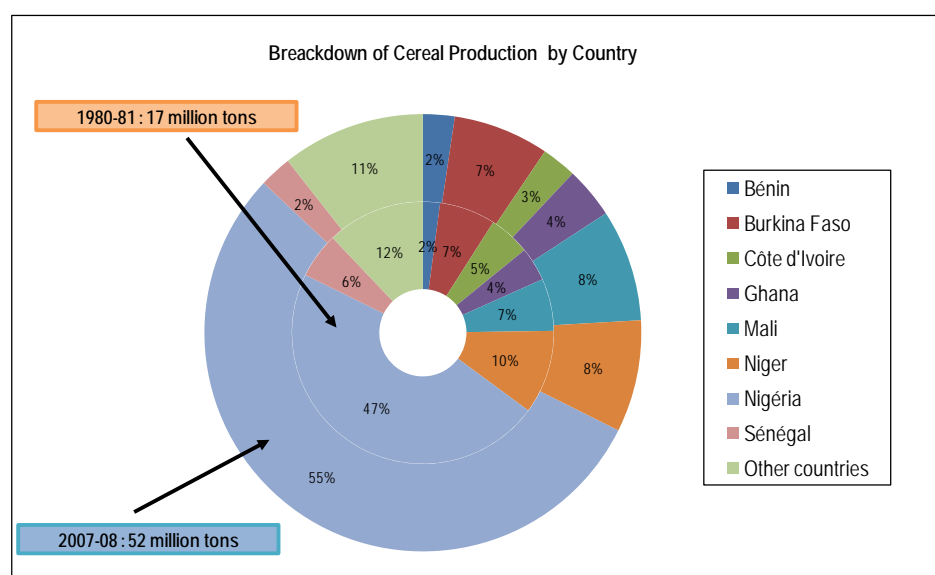
The following table shows the evolutions in amount of land cultivated, yields and production for each category of cereal. It shows very different evolutions for the various types of cereals.³

Table 2: Evolution in Production, Surface Area and Yields in West Africa

	Years	Fonio	Maize	Millet	Paddy Rice	Sorghum	Dry Cereals	All Cereals
Area (ha)	1980-1981	213,889	2,299,949	8,251,130	2,310,001	5,719,688	14,184,706	18,794,655
	1990-1991	288,194	7,736,660	12,883,494	3,517,629	9,980,672	23,152,360	34,406,648
	2007-2008	430,089	7,908,098	16,049,252	5,661,726	14,435,090	30,914,430	44,484,254
	Evolution 2008/1980	101%	244%	95%	145%	152%	118%	137%
Production (T)	1980-1981	158,112	2,246,830	5,631,811	3,343,361	5,359,435	11,149,358	16,775,498
	1990-1991	180,952	8,502,382	8,838,648	5,898,843	7,430,941	16,450,541	30,927,130
	2007-2008	432,524	13,276,861	15,387,486	9,442,853	13,886,906	29,706,915	52,505,933
	Evolution 2008/1980	174%	491%	173%	182%	159%	166%	213%
Yield (kg/ha)	1980-1981	739	977	683	1,447	937	786	893
	1990-1991	628	1,099	686	1,677	745	711	899
	2007-2008	1,006	1,679	959	1,668	962	961	1,180
	Evolution 2008/1980	36%	72%	40%	15%	3%	22%	32%

Source: Authors, based on FAO data.

Figure 1: Regional Cereal Production in Percent by Country, and Evolution since 1980

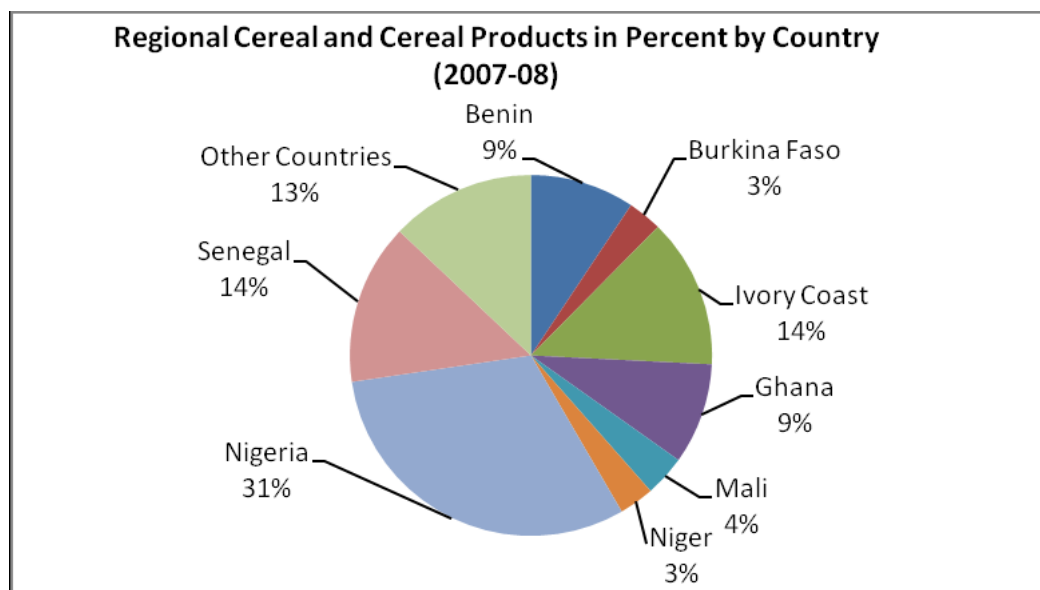


Source: FAOSTAT data.

- To offset its deficit, the region currently imports approximately thirteen million tons of cereal, above all rice and wheat. These products have increased their place in food systems thanks to low prices on world markets. They compete with local commodity chains (rice, maize) directly or indirectly through the competition of these imports with all cereal products. For the 2007-2008 period, cereal imports in ECOWAS accounted for an annual bill of 3.383 billion dollars (approximately 1,600 billion CFA francs), or more than 40% of agrifood imports. Since the 1994-1996 period, this “cereal bill” has risen by 180%.

³ In this paper, “dry cereals” refers to millet, sorghum and fonio.

Figure 2: Regional Cereal Imports in Percent by Country (2007-2008)



Source: FAOSTAT data.

See Thematic Papers
No. 1 "Production"
and No. 2 "Nigeria"

Major Changes in Production Systems

7. Cereal production has not grown evenly over the past thirty years. The changes seen in the region depend notably on the agro-ecological zones' potential, land availability, and farmers' access to production means and financing.
8. Maize, whose production volume has increased seven-fold since 1980-1981, is the cereal that has made the most progress. The improvement in overall productivity was accomplished in the context of the expansion of its production area to the Sudanian and Sudano-Sahelian areas where it benefited from the after-effects of inputs used in cotton cropping and the structuring impacts of commodity chain organization (access to credit and inputs, mechanization, organization of farmers' groups, etc.). It is also, however, the only cereal whose average yield increased considerably (+72%). Some research indicates that at least 30% of this cereal's improved productivity is linked to the cotton/maize crop rotation system.⁴ It has become the local cereal that currently circulates most in West Africa; Nigeria is still the primary production basin for this cereal.
9. Maize, however, receives less sustained attention than rice, which has over the past twenty years become one of the main food stakes in the region. While rice production has risen significantly under the effect of advances in research and especially the multiple incentives that have been offered, the domestic supply covers only approximately 35% of regional demand. Production systems are highly diverse (rain-fed, lowlands, different types of irrigation), with very disparate technical and economic results. Average yields are low, but very honourable in some production basins, notably in irrigation schemes. Rice has become the Achilles' heel of regional food security, which can be seen in the demonstrations sparked by the rise in the price of this commodity on national markets in 2008. In many capital cities, the price of rice is a barometer of the social situation. This explains governments' hesitation to increase border protection to safeguard regional production.

⁴ Maize production has risen considerably in the cotton zone, simultaneously with the rise in cotton production. But its development depends heavily on cotton's vitality. The commodity chain's difficulties have called into question the input supply for maize. During the 2009 crop year, farmers were obliged to favour sorghum, which requires fewer inputs but is also much less productive than maize.

10. The situation for three other cereals (millet, sorghum and fonio) is more critical because little progress has been made on productivity even though, in volume, they continue to account for 57% of the domestic cereal supply. Production has risen over the past twenty-five years at an average pace of 4% per year, in line with population growth. In the absence of improving yields, the increase in volumes produced is nearly entirely due to an increase in the amount of cultivated land, cutting into fallow lands and spreading onto marginal land that is fragile when it comes to soil quality and fertility.
11. In regard to food regimes, cereals are the basic foodstuff for the people in the Sahel, covering roughly 80% of the population's energy needs. In the coastal countries on the Gulf of Guinea, cereals are gaining ground but share the status of staple food with roots and tubers. In Sahelian countries, the food supply is therefore still heavily affected by the cereal production hazards generated by the spatial and temporal irregularity of rainfall. These production hazards have a dual impact on food security.

Figure 3: Regional Cereal Needs Covered by Production

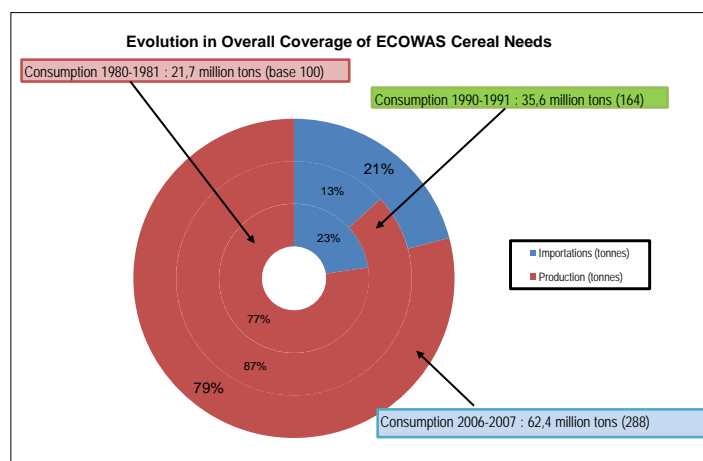
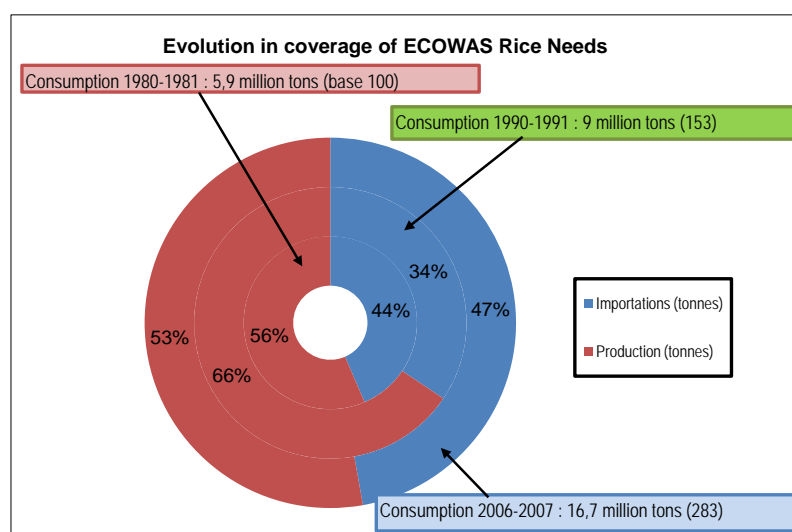


Figure 4: Regional Rice Needs Covered by Production

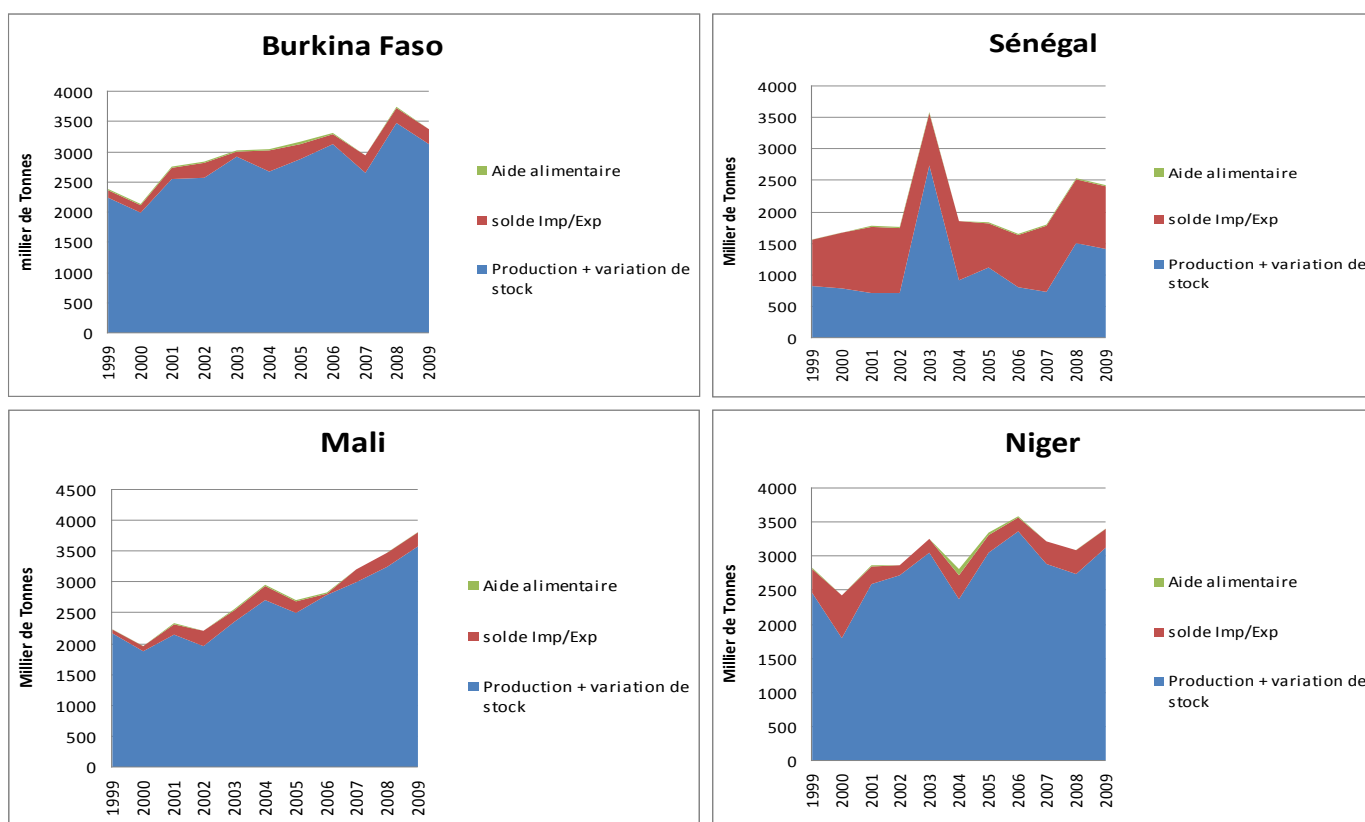


12. For rural households in semi-arid zones (less than 500-600 mm of water per year), drops in production have a direct impact on food availability for the farming households in question whose

food systems are based on self-consumption. In addition, prices are influenced greatly by production levels.

13. When there is a pronounced deficit, price tension affects the affordability of food for all populations that obtain their food from the market. This is the case for urban populations and rural populations that do not produce enough cereal to meet their needs.
14. In fragile areas, farming households are very dependent on the market, with a pre-harvest period that is no longer the habitual three months but can be spread over six to nine months. Household pre-harvest debt, mostly to shopkeepers, is a major risk factor. Despite producing less than they need, these households are forced to cede some of their cereal. The terms of sales before or at harvest (repaying two to three bags of cereal for each bag borrowed) accentuate these households' food vulnerability from year to year. They sell on the market when prices are lowest and buy when prices are highest. The food and nutrition crises in Niger in 2004-2005 and then again in 2010 reveal this on-going worsening of rural households' living conditions and their growing vulnerability to external shocks, even when they are moderate in scope (production, price).

Figure 5: The Cereal Balance in Sahelian Countries: From Self-Sufficiency to Heavily Dependent



Source: According to CILSS data.



Cereals: Spearheading Regional Integration

15. Population growth and urbanization along with the complementarity of production basins and consumption generate a high level of cereal trade within domestic economies and between West African countries. Several trading zones structure the West African region. The primary basin concerns the countries polarized by trade with Nigeria (Niger, Benin, Togo). Next comes the central

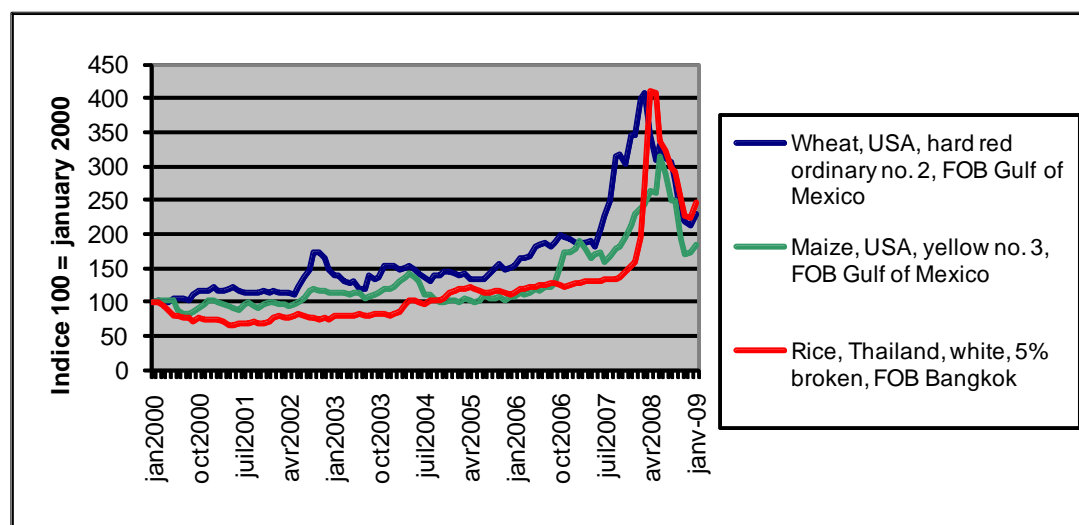
area with trade between Ghana, Côte d'Ivoire, Mali and Burkina Faso. Finally, to the west, trade takes place between Mali, Senegal, Mauritania, Guinea, etc. These flows are often in both directions, depending on prices, changes in exchange rates, the complementarity of supply and demand, etc.

16. The cereal markets are still, however, fairly poorly known. Most research on actors' knowledge of the market, how it operates and how it is financed dates from the 1980s during the cereal economy liberalization phase. The situation has changed considerably on several levels: (i) the percentage of cereal marketed and how this cereal is used;⁵ (ii) the accessibility of rural regions and more generally the development of communication infrastructures (roads, tracks, telecommunications); (iii) market regionalization; (iv) import liberalization; (v) the structure of traders' networks and how these networks are financed; (vi) the strengthening of farmers' organizations for product marketing (marketing structures in Sudanian areas and cereal banks/food security granaries in deficit zones); (vii) substitution phenomena in regard to the various cereals.
17. Steering cereal policies and food crisis prevention strategies suffers greatly from this lack of knowledge. The fact that customs duty cuts decided by governments in response to the rapid rise of world prices are not passed on to consumer prices reveals this poor knowledge of rice importer organization. Better knowledge of operators (oligopolies) and price structures in the marketing value chain (importer, wholesaler, retailer, and consumer) would probably have made it possible to reason differently in regard to the public measures taken and their enforcement during the 2008 crisis.

2 Recent Changes Due to the Price Rise

18. The rise in world prices for food products starting at the end of 2006 before peaking in early 2008 and then the sharp drop seen since August 2008 (and then amplified by the financial crisis) is a brutal reminder of the risks brought about by excessive dependency on imports.
19. Countries were hit all the harder when they had massive recourse to imports (e.g. Senegal with imports covering roughly 65% of cereal needs). However, all countries—even landlocked Sahelian countries little dependent on imports (Mali, Burkina Faso and Niger import only 5% to 15% of their needs)—have seen prices rise on the domestic market because of a combination of international and local factors (general rise of prices, including for fuel and transportation, high demand from Nigeria, localized production deficits, rising input prices, etc.).

Figure 6: Price Index Changes Over the 2000-2009 Period (100 = January 2000)

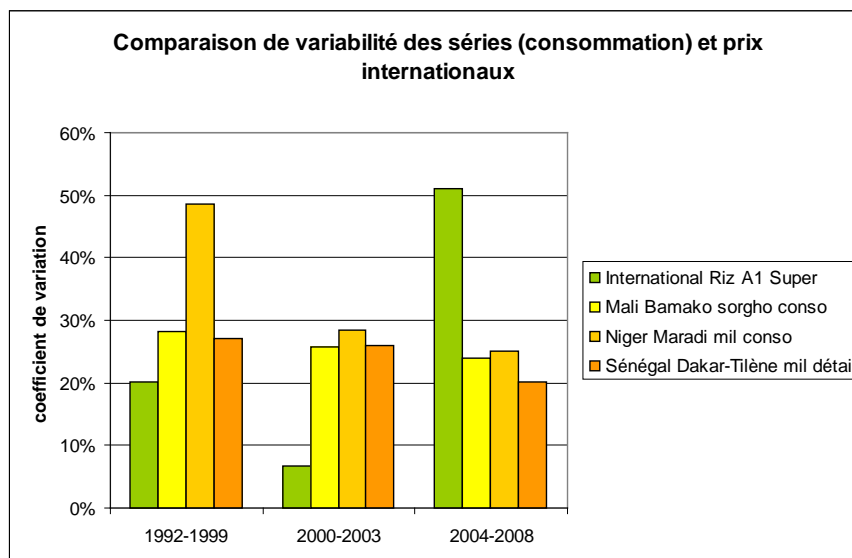


Source: Bureau Issala, according to UNCTAD data.

⁵ For instance, the share of cereal used as animal feed is increasing, notably in Nigeria, and affecting the demand for cereal and consumer prices.

20. Cereals have been the main “beneficiaries” of the effects of the food crisis brought about by the rise in prices. Indeed, the crisis was seen as a “rice crisis” (stock shortage, rapid price hike, and market supply difficulties) and incidentally one of other cereals, whereas it concerned most foodstuffs (milk, meat, oil, etc.). The initiatives of public authorities both regionally and nationally focused on increasing the supply of rice primarily and of maize secondarily through measures aiming to increase domestic production and facilitate imports from the international market.
21. Specifically, a certain number of incentives were set up to revive production: renewing hydro-agricultural development, subsidizing half the cost of inputs and small farm equipment, setting up seasonal credit, building storage infrastructures, etc. Simultaneously, measures targeting market supply were also taken: mobilization of emergency stocks, suspension of import and domestic taxes, and even consumer subsidies.
22. There can be no doubt that these measures made it possible to mitigate tension over cereal prices by fostering better supply of domestic markets by increasing imports and favouring regional and national production. Indeed, under the combined effects of good rainfall and the various measures taken by government authorities, regional cereal production rose by 17% between 2007 and 2008, by 31% in CILSS countries over the same period, and by 30% over the average for the previous five years. With much less favourable weather conditions, production regressed sharply in 2009.
23. The “sustainability” of these measures that, by all accounts, had encouraging results is, however, questionable. Will governments be able to continue over the long term the exceptional financial efforts they deployed to curb the crisis? And, against the backdrop of a global economic and financial crisis that is forcing governments to make budget decisions that could turn out to be disadvantageous for the agricultural sector, will they be willing to do so now that international prices are placing less pressure on national economies and household budgets?
24. One can also wonder about the relevance of current strategies that were dead set on rice, a product that currently accounts for only 17% of the regional cereal supply. Do the changes in ecological conditions caused by climate change authorize the current rice strategies, which are modelled on the first green revolution (inputs, seeds)? Is production potential adequate in regard to the demand from a constantly growing population? What room is there for other the cereals in the strategy aiming to attain regional food sovereignty? Prospective analysis shows that one cannot neglect any cereal in order to feed the regional population without depending too heavily on imports (food sovereignty). Investments, if they focus solely on rice, will not allow the region to rise to this challenge.
25. Beyond these aspects, this period sheds light on two important phenomena: (i) food risks linked to market instability; and (ii) food risks linked to the affordability of foodstuffs.
26. Market instability has historically been a characteristic of West African markets. This instability is double: intra-annual (between harvest and pre-harvest periods) and inter-annual, notably in function of production levels. Over the 1992-2003 period, regional market instability contrasted with very high price stability on world markets (rice, wheat). Since the start of the crisis, international instability has been greater than domestic instability, which it amplifies (see Figure 7). Controlling price volatility will therefore be a major topic for the coming years so as to improve investment security and producers’ remuneration and mitigate consequences for consumers. At this time, border trade policies are not able to play this regulatory role due to a lack of appropriate flexibility instruments.

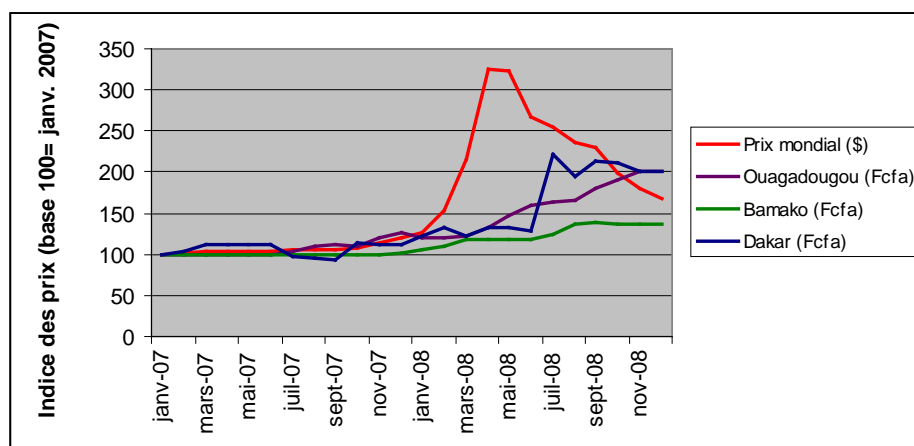
Figure 7: Domestic and International Market Instability Since 1992



Source: Authors, according to MIS and UNCTAD data.

27. Financial accessibility problems were, in the past, little taken into account in the analysis of the region's food insecurity. In the context of strong urbanization and massive poverty among people that buy via the market, the price hike called institutions to order and showed that the risks are not limited to production shocks. This primarily calls into question crisis prevention strategies and crisis management methods (the emergence of debate on social safety nets and transfers). But it also requires research on the issue of regional cereal commodity chain competitiveness so as to provide products that people can afford.

Figure 8: Transmission of Imported Rice Prices on Domestic Markets in the Sahel



Source: Bureau Issala, according to UNCTAD and WAMIS-NET data.

See Thematic Paper No. 4 "Cereal Policies"

3 The Revival of Agricultural and Cereal Policies in the Region: Orientations and Process

28. After the wave of liberalization in the 1980s, which took the form of a very sharp withdrawal of government from the food-related agricultural sector (export commodity chains continued to

receive a high level of support due to their role in public debt repayment),⁶ the 2000s were marked by a degree of renewed interest in public intervention. Several countries have elaborated agricultural framework laws (Mali, Senegal) or rural development strategies (Niger, Burkina Faso). On the regional level, several agricultural policy and food security frameworks co-exist on the initiative of various technical cooperation or economic and political integration organizations.

29. In 2000, the nine CILSS countries adopted the Food Security Strategy Framework (FSSF), which was then translated into national strategies coordinated and completed by a regional strategy. It addresses the various dimensions of food security: availability, affordability, and market operation. After a period when public food security interventions took an almost exclusive interest in preventing and managing occasional crises,⁷ this strategy's ambition is to provide solutions to the structural dimensions of food crises.
30. In 2001, the eight WAEMU countries adopted the WAEMU Agricultural Policy (WAP). This common agricultural policy for the franc zone was adopted after the common trade policy was implemented with a common external tariff that provided only slight protection for the region in regard to imports.⁸ The additional act (No. 3/2001) stipulates that the WAP takes into account all production and farming systems within the Union, notably smallholder farming (Article 2); and aims to sustainably contribute to meeting the population's food needs, the economic and social development of the member-states, and poverty alleviation by making it possible to: (a) attain food security by lowering the Union's food dependence and by improving the operation of agricultural product markets; and (b) improve the living conditions of farmers by developing the rural economy and improving their revenue and social standing (Article 3). The "comprehensive commodity chain plan" currently being set up deals with priority commodity chains for the regional scale, including rice and maize.
31. In 2005, the fifteen ECOWAS countries adopted the ECOWAP⁹ following the consultation of the member-states and professional actors. ROPPA played an large role in this process. The ECOWAP defined a vision of agriculture based in priority on the development of smallholder farming, and positioned itself explicitly as targeting the region's food sovereignty. It aims to ensure: (i) sustainable food security in the member countries; (ii) decent remuneration for farm workers; and (iii) the expansion of trade on a sustainable basis, both within the sub-region and with the rest of the world. Three major lines of work are identified:
- improving agriculture's productivity and competitiveness;
 - implementing an inter-community trade regime based on the principle of building a free trade zone; and
 - adapting the external trade regime to the specificity of agricultural products.
32. The guiding lines of this sectoral policy were decided before the West African regional CET (shared by all fifteen countries, including WAEMU countries) had been determined. As a result, there was considerable debate on the need to create a tariff band at a higher rate than the maximum rate in the WAEMU zone at the time (20%). The negotiations led to the creation of a new tariff at 35%. The "re-categorization" of products among the five customs duty levels is still underway and concerns numerous strategic agricultural products for which the countries have not been able to reach a consensus (e.g. rice). The ECOWAP also served as the baseline for establishing the market access offer for the Economic Partnership Agreement negotiations (definition of sensitive products). Although the negotiations were scheduled to end before 2007, the two regions have yet to reach a compromise that would enable new trade regulations. The table below illustrates the disparities in

⁶ This is notably the case with the cotton commodity chain in countries where SOS Faim is active.

⁷ This was the only area seen as belonging to government, for which public intervention was justified, in the context of a liberal economy.

⁸ For example, customs duties of 10% on rice, 20% on wheat flour, and 5% on wheat.

⁹ The Economic Community of West African States' agricultural policy.

customs duties currently applied at their borders by the various countries and, as a result, the need for harmonization within the ECOWAS CET.

Table 3: Customs Duties Applied Within ECOWAS on Cereal Products

Cereal Product	WAEMU and Cape Verde	Gambia	Ghana	Guinea	Nigeria	Maximum Tarif in the region	Average Regional Unweighted	Average Regional weighted Tarif
Wheat	5%	5%	10%	5%	5%	10%	5.0%	4.8%
Wheat flours	20%	5%	20%	20%	20%	20%	18.1%	15.6%
Maize	5%	5%	20%	5%	5%	20%	6.4%	5.1%
Paddy Rice	5%	0%	20%	20%	50%	50%	10.3%	2.5%
Husked Rice [cargo or brown rice]	10%	0%	20%	10%	50%	50%	13.4%	16.3%
Semi Milled or White Rice	10%	0%	20%	20%	50%	50%	13.8%	40.8%
Broken Rice	10%	0%	20%	10%	50%	50%	13.1%	9.0%
Millet	5%	5%	5%	5%	5%	5%	4.7%	5.0%

Source: ECOWAS data.

33. The 2008 food crisis made it possible to place the agricultural sector and food crops once again at the heart of public policy in all countries in the region. It also led the international community to make substantial commitments to (i) increase the amount of aid devoted to agriculture and food security; (ii) improve coordination among the multiple international institutions (FAO, WFP, UNICEF, World Bank, IMF, etc.); and (iii) undertake reflection on long-term food security and the international cooperation tools that would make it possible to prevent a major world crisis.
34. This new context led to hinging considerable hope on the ECOWAS agricultural policy and accelerating its implementation. It has become the policy framework of reference for most countries, actors and outside partners.
35. The operationalization of ECOWAP is taking place in the pan-African framework of NEPAD's implementation. Each ECOWAS member country has elaborated a partnership compact with the actors in the sector and its development partners. The region has done the same on the regional scale. The countries and the region have provided themselves with investment programmes that federate all agricultural sector interventions (investments and measures/policy instruments). The regional investment programme is structured around three objectives: (i) promote the products that are strategic for food security and sovereignty (maize and rice are two of the regional strategic products chosen); (ii) improve the agricultural sector's overall environment (trade stakes, climate change, information systems, etc.); and (iii) foster vulnerable populations' access to food.
36. The regional programme adopted in June 2010 includes policy instruments that, if they are implemented, will make it possible to support and accelerate the transformation of cereal commodity chains: co-financing input and equipment subsidy programmes (input coupons), promoting warrantage and regional storage (intervention stores for market regulation), improving the security of and developing input loans and marketing credit (soft loans, guarantee funds), social safety nets, etc.

See Overall Summary Paper

4 Promoting Regional Cereal Commodity Chains: Challenges and Key Questions for the Future


A Skyrocketing and Diversifying Cereal Demand

37. The regional cereal demand should double by 2030-2035 and reach 125 million tons based on current consumption, mainly because of population growth.¹⁰ It may be even higher because of: (i)

¹⁰ The regional population should reach 455 million people, with 260 to 275 million in urban areas, by 2030.

the transformation of cereal into animal feed, the scale of which will depend on the evolution of the population's purchasing power; and (ii) the development of other uses for cereal, in particular agrofuels.

38. With the aim of food sovereignty, how can cereal commodity chains and policies meet most of these needs?
39. This question brings up (i) production potential and the conditions necessary to attain this potential; (ii) the ability of commodity chains to respond to consumer demand in regard to their adequacy for food systems; and (iii) commodity chains' ability to become sufficiently competitive in a context of endemic poverty.



See Thematic
Paper No. 1
"Production"

Intensify Production Systems on Sustainable Foundations


40. In regard to production, cereals face numerous challenges: increasing productivity to meet a constantly growing demand that will be more and more difficult to meet by relying on the external supply. While maize and, to a lesser extent, rice production has registered productivity gains over the past twenty years, the same cannot be said of dry cereals whose yields have evolved very slowly.
41. The challenges of improving productivity and production arise in regard to constraints of several natures that the region's production systems are facing: (i) the degradation of natural resources¹¹ and increasing scarcity of good land, and the exhaustion of the production growth system based land expansion (failing soil fertility and lack of outside contributions); and (ii) securing land tenure in a context of growing splintering of farms and heightened competition among farmers, between farmers and stock farmers, between smallholder farming and commercial farming, and between uses (food products, export products, biofuels).
42. The challenges and stakes of improving productivity also exist in relation to the input supply. Heavy obstacles continue to weigh on the quality of inputs, the regularity of their supply, and the effectiveness of distribution mechanisms on which farmers increasingly position themselves grouped into cooperatives, farmers' groups, and even inter-branch organizations. In many production basins, the timely supply of good-quality inputs raises serious problems. Only rice cropping in irrigation schemes avoids some of these constraints.
43. The intensification model proposed is often limited to the use of selected fertilizers and seeds and, depending on the area and crop, water control. Two major concerns emerge from this technical approach: How can soil fertility be improved using organic fertilization techniques that are less costly and less risky for the environment? What factors help lower the risks for farmers and encourage them to invest in intensification techniques? This touches on market security and agricultural risk management (harvest insurance system, for instance). It also touches on production system equilibrium within smallholder farms, crop diversion for agronomic reasons and to lower risks, and farming/stock farming integration.
44. Consequently, the lasting improvement of cereal production and productivity implies acting simultaneously on these different aspects: (i) securing land tenure for economically viable farms, with crops that have little value added such as cereals; (ii) defining technical itineraries based on controlled intensification (which calls for research); (iii) risk reduction through technical systems and implementing insurance systems; (iv) setting up sustainable systems for input supply and agricultural

¹¹ In-depth analysis and reflection show that the exploitation of existing potential (river valleys, lowlands, etc.), on which all hopes for agricultural sector development hinge, could be the source of serious environmental problems for the region (water pollution, biodiversity degradation, etc.).

seasonal financing; (v) regulating markets and financing marketing so as to improve investment security and revenues (see below).

Reconciling Consumers with Local Cereals: The Processing Challenge

45. Meeting people's food needs implies a supply that is in line with changes in food systems. Urbanization alters modes of life and imposes the provision of processed products that are easier to prepare (preparation time, low energy consumption). Most cereals sold today on the market are still raw. Cereal product processing initiatives (flours, couscous, etc.) are developing but little supported by public policies. Developing small-scale food processing and improving the image of local products are major stakes for the coming years. This will most likely be the key to food sovereignty.
46. Meeting this challenge implies including this objective in commodity chain organization strategies: (i) defining quality standards for cereals; (ii) promoting investments in research and small technology transfers; (iii) supporting the emergence of small-scale processing units; and (iv) setting up financing systems.
47. One important question for FOs deals with the conditions under which they could invest more fully in product processing activities to improve product valuation and increase their members' incomes in rural areas. Can this activity be mastered in a collective framework? Must it be internalized? Or is it preferable to forge contractual relationships between farmers/FOs and processing units?



See Thematic Papers
No. 3 "Markets" and
No. 4 "Policies"

Successfully Regulating Markets and Improving Market Operation

48. The competitiveness-related challenges call into play the lowering of production costs but above all the economic organization of the commodity chain and trade policy within a regional approach. Most inter-branch organizations currently structuring themselves are doing so on a national basis, whereas markets are regional. These structures are less arenas to establish contractual trade relationships between the various commodity chain agents than they are arenas of consultation and defence of common interests. They struggle to propose or establish mechanisms to regulate the operation of the commodity chain and markets. Product costs remain heavily burdened by traders' strategies and the transaction costs generated by informal obstacles to trade within the region (corruption).
49. Regulating the markets and lowering price volatility are stakes for both producers and consumers. For producers, this implies working on product marketing and, as a result, on how storage and marketing are organized and financed. Many attempts to do this exist. They often raise many difficulties. These difficulties are due to internal organization capabilities and mastery of the functions assigned to FOs. But they are also due to the fact that farmers and their organizations shoulder all the production- and market-related risks. Often, one or two bad years are all it takes to threaten years of work by FOs. For FOs, risk pooling and sharing is a central issue.
50. When it comes to public policies, their responsibility deals with market regulation mechanisms (storage strategy, market intervention) and the definition of a border policy that makes it possible to mitigate the impacts of international price variability on internal instability (appropriate customs duties and a safeguard mechanism to manage import price volatility). One of the main challenges for FOs is to obtain a suitable trade policy (CET) and be able to seize the opportunities offered by the establishment of policy instruments to strengthen their capacity to intervene in the commodity chain: systems to provide production credit, storage credit, marketing credit, warrantage support, etc.